



TFSA Investors: 1 Under-the-Radar 5G TSX Dividend Stock

Description

Hydro One ([TSX:H](#)) has high-growth potential in the next 12 months, as 5G and broadband internet networks expand throughout Canada. Hydro One is an electrical transmission service provider in Canada, and its primary customers are significant telecommunication companies. Better yet: the company issues a dividend of almost 4% per share.

Less-obvious 5G stocks like telecommunication service providers, equipment manufacturers like **Broadcom**, and real estate investment trusts are high-growth stocks with exceptional dividend yields.

Broadcom soared almost 31% in the past year due to the 5G rollout buzz. The stock offers a high dividend yield much like Hydro One. At Broadcom's current share price of \$282.86, the dividend yield is currently 3.75%. Other telecommunication service providers are likely to see similar share price performance going into next year.

Telecommunication companies will be investing a substantial amount of money on equipment for the 5G rollout and [broadband internet expansions](#). 5G cost estimates range to over \$1 trillion for oligopolistic telecommunications providers like **Bell** and **Roger's Communications**.

As the primary beneficiaries of these expenditures, companies like Hydro One and Broadcom will see rising profits going into next year.

Hydro One

Hydro One is an excellent stock for a Tax-Free Savings Account (TFSA). In a defensive utility industry, recession fears are less likely to reduce the liquidity of this investment. In fact, the stock's price should see a substantial appreciation in the next year along with the 5G rollout.

Even better, Hydro One's dividend yield at the current price of just under \$25 is 3.92%. At \$0.24 per share, TFSA investors could earn over \$96 per year on a 100-share investment in Hydro One. Moreover, the share price on Hydro One is more likely to appreciate in the next few years, resulting in a nice capital gain for patient long-term investors.

Hydro One is raising capital

Hydro One sees the 5G expansion as an opportunity for growth and is well prepared to take advantage of the opportunity. The company has steadily increased its dividend since March 2016 — just 1.5 years after the stock's IPO debut in November 2015. The high dividend yield relative to market interest rates will give the stock an advantage on the TSX to raise capital for growth.

This utility company is in the perfect position to begin profiting from the 5G expansion and return some revenue to dividend-hungry shareholders. As an indication of financial well-being, Hydro One has not been acquiring too much debt since its IPO. The company's long-term debt levels have grown by a modest 28% over the past four years and has focused primarily on short-term debt and equity to achieve profitable growth.

Foolish takeaway

Hydro One is an excellent defensive stock and reliable dividend payer for TFSA investors with a savvy appetite for compound interest. Even with rising foreign direct investment in Canada, defensive stocks like Hydro One remain priority purchases for TFSA investors to guard against recessionary rumours.

Given the success of Broadcom and other 5G servicers, TFSA investors should look for stocks like Hydro One to profit off the technological [innovation of 5G](#). By focusing on less-obvious high-dividend players in telecommunications, TFSA investors can capitalize on additional capital gains arising from the market information deficit.

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2. NYSE:RCI (Rogers Communications Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:H (Hydro One Limited)
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